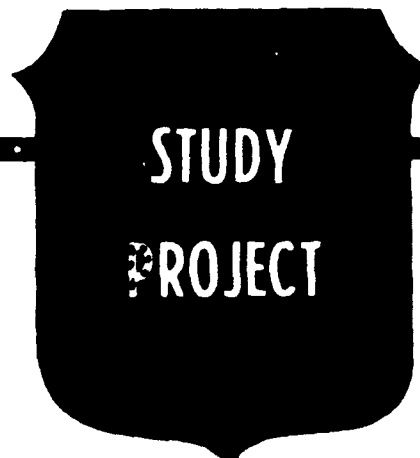


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ECONOMIC AID TO THE FORMER SOVIET UNION:
A CHANCE FOR DEMOCRACY

BY

Lieutenant Colonel Robert H. Griffin
United States Army

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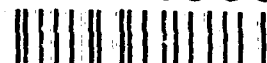
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SECURITY CLASSIFICATION OF THIS PAGE

REPORT DOCUMENTATION PAGE				Form Approved OMB No. 0704-0188	
1a. REPORT SECURITY CLASSIFICATION UNCLASSIFIED			1b. RESTRICTIVE MARKINGS		
2a. SECURITY CLASSIFICATION AUTHORITY			3. DISTRIBUTION / AVAILABILITY OF REPORT Approved for public release. Distribution is unlimited.		
2b. DECLASSIFICATION / DOWNGRADING SCHEDULE					
4. PERFORMING ORGANIZATION REPORT NUMBER(S)			5. MONITORING ORGANIZATION REPORT NUMBER(S)		
6a. NAME OF PERFORMING ORGANIZATION US Army War College		6b. OFFICE SYMBOL (If applicable) AWCA	7a. NAME OF MONITORING ORGANIZATION		
6c. ADDRESS (City, State, and ZIP Code) Carlisle Barracks Carlisle, PA 17013			7b. ADDRESS (City, State, and ZIP Code)		
8a. NAME OF FUNDING / SPONSORING ORGANIZATION		8b. OFFICE SYMBOL (If applicable)	9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER		
8c. ADDRESS (City, State, and ZIP Code)			10. SOURCE OF FUNDING NUMBERS		
			PROGRAM ELEMENT NO.	PROJECT NO.	TASK NO.
					WORK UNIT ACCESSION NO.
11. TITLE (Include Security Classification) Economic Aid to the Former Soviet Union: A Chance for Democracy					
12. PERSONAL AUTHOR(S) GRIFFIN, Robert H., LTC, USA					
13a. TYPE OF REPORT Study Project		13b. TIME COVERED FROM _____ TO _____		14. DATE OF REPORT (Year, Month, Day) 92/04/03	
				15. PAGE COUNT 38	
16. SUPPLEMENTARY NOTATION					
17. COSATI CODES			18. SUBJECT TERMS (Continue on reverse if necessary and identify by block number)		
FIELD	GROUP	SUB-GROUP			
19. ABSTRACT (Continue on reverse if necessary and identify by block number) The devolution of the Soviet Union places the United States and other Western countries in a dilemma with two alternatives. One, to stand by and observe events, only providing economic aid after events solidify and alternatives become clear. Or two, provide sufficient economic assistance to ensure that the political sorting-out process in the former Soviet Union is allowed to run its course, fostering an orderly completion of a transition away from a communist-style society and nurturing democratic forces forming in Russia and other republics. This paper discusses economic aid to the former Soviet Union and recommends an expanded assistance role through private investment and peaceful use of the U.S. military. The development of this recommendation is based on an examination of four related topics: United States historical support to Russia and later to the Soviet Union beginning in 1882; principal economic problems facing the former Soviet Union; recent ex-Soviet aid requests and the Free World's response; and the United States' current aid policy for the ex-Soviet republics.					
20. DISTRIBUTION / AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT. <input type="checkbox"/> DTIC USERS			21. ABSTRACT SECURITY CLASSIFICATION UNCLASSIFIED		
22a. NAME OF RESPONSIBLE INDIVIDUAL Dr. J. W. Williams			22b. TELEPHONE (Include Area Code) 717-245-4427		22c. OFFICE SYMBOL USAMHI

USAWC MILITARY STUDIES PROGRAM PAPER

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ECONOMIC AID TO THE FORMER SOVIET UNION:
A CHANCE FOR DEMOCRACY

AN INDIVIDUAL STUDY PROJECT

by

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United States Army

Dr. James W. Williams
Project Adviser



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Unannounced <input type="checkbox"/>	
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ABSTRACT

AUTHOR: Robert H. Griffin, Lt Col, USA
TITLE: Economic Aid To The Former Soviet Union: A
Chance For Democracy
FORMAT: Individual Study Project
DATE: 3 April 1992 PAGES: 36
CLASSIFICATION: Unclassified

The devolution of the Soviet Union places the United States and other Western countries in a dilemma with two alternatives. One, to stand by and observe events, only providing economic aid after events solidify and alternatives become clear. Or two, provide sufficient economic assistance to ensure that the political sorting-out process in the former Soviet Union is allowed to run its course, fostering an orderly completion of a transition away from a communist-style society and nurturing democratic forces forming in Russia and other republics.

This paper discusses economic aid to the former Soviet Union and recommends an expanded assistance role through private investment and peaceful use of the U.S. military. The development of this recommendation is based on an examination of four related topics: United States historical support to Russia and later to the Soviet Union beginning in 1882; principal economic problems facing the former Soviet Union; recent ex-Soviet aid requests and the Free World's response; and the United States' current aid policy for the ex-Soviet republics.

INTRODUCTION

"For we have seen that Soviet power is only a crust concealing an amorphous mass of human beings among whom no independent organizational structure is tolerated. If anything were ever to occur to disrupt the unity and efficacy of the Communist Party as a political instrument, Soviet Russia might be changed overnight from one of the strongest to one of the weakest and most pitiable of national societies," ¹ George Kennan, 1947

With the failed coup of August 1991 and the subsequent collapse of the Soviet Communist Party, the Free World must provide aid to the republics of the former Soviet Union or Kennan's prediction from 1947 will come true. Ironically, world peace may be more threatened by a crumbling Soviet society than by the previous Soviet Union as a world military power.

The recent formation of the Commonwealth of Independent States (CIS) places the United States and other Western countries in a dilemma with two alternatives. One, to stand by and observe events, only providing economic aid after events solidify and alternatives become clear. Or two, provide sufficient economic assistance to ensure that the political sorting-out process in the former Soviet Union is allowed to run its course, fostering an orderly completion of a transition away from a communist-style society and

nurturing democratic forces forming in Russia and other republics.²

What is the United States' policy on providing aid to the former Soviet Union and is there a role in policy execution for the U.S. military? To answer these questions, this paper will examine four related topics: United States historical support to the Soviet Union; principal economic problems facing the former Soviet Union; recent ex-Soviet aid requests and the Free World's response; and the United States' current aid policy and the subsequent assistance that should be provided.

HISTORICAL SUPPORT TO THE SOVIET UNION

To understand current United States aid discussions and policy formulation, one must first review past American aid to Russia. Historically, Americans have been generous in providing aid and support, first to Russia and later to the Soviet Union. However, the success of past aid programs has been largely determined by changes in Russian internal politics and human rights issues.

Starting in 1882, the United States Congress protested Tsarist political repression and anti-Semitism by introducing bills to curb trade with Russia. The Congress did not respond to an appeal by Tolstoy in 1891 for relief to famine victims in the Volga Valley, although some aid was provided by private agencies. In 1911, the Senate voted to

abolish a United States-Russian commercial treaty -- a change leaving President Taft to negotiate a new one addressing Congressional human rights concerns.

President Wilson hailed the March 1917 revolution that overthrew Tsarism. He quickly recognized the new Provisional Government and offered immediate moral and material assistance. United States aid efforts were largely aimed at keeping Russia a Western ally during World War I. Russian leaders sought \$5 billion in credits to continue the war through 1917; \$1 billion was to come from the United States. The United States ultimately provided only \$325 million in credits but it came too late to influence events. The Germans repelled a Russian Army offensive and launched a counterattack. Simultaneously, a right-wing coup in Russia opened the door to Lenin, who had vowed in 1914 to "turn the imperialist war into a civil war."³

After a devastating civil war, worker revolts in March 1921 forced Lenin to abandon his communist policies and adopt market reforms. However, his efforts were too late to avert widespread famine and a typhus epidemic. The United States quickly established a very successful aid program through the American Relief Administration (ARA) saving millions of Russian lives from September 1921 to July 1923. With \$80 million and a largely volunteer staff of 300 Americans, ARA fed over 20 million Russians, inoculated 8.4 million people against typhus, supplied 16,000 hospitals

with millions of tons of medical supplies, and provided millions of tons of clothing and vital seed grain. The ARA program was terminated on learning that Moscow intended to export an expected grain surplus in 1923.⁴

The 1920s demonstrated how sharply Soviet policies could be reversed without firmly established democratic institutions and the rule of law. Lenin's New Economic Policy of March 1921 restored a free-market in agriculture, created a gold-backed currency, encouraged small private enterprise and offered incentives to foreign companies to develop Soviet resources. In 1927, Stalin dismantled these free-market initiatives to pursue rapid industrialization and forcible farm collectivization. Western companies and, more importantly, their expertise were forced out of the country. Stalin's policies induced a famine in 1932-33 that killed 10 million Soviet citizens; no foreign relief was sought.

Within days after the Nazi attack on the USSR in June 1941, Churchill and Roosevelt pledged all-out support to the Soviet war effort; both leaders were determined not to repeat the consequences of delayed aid programs during World War I. By May 1945, \$11 billion in United States aid had been provided to the USSR including 14,700 planes, 7000 tanks, 375,000 trucks, 1900 steam locomotives, 11,000 freight cars and millions of tons of steel, chemicals, foodstuffs and clothing. At the conclusion of World War II,

the USSR returned to the communist policy of international class struggle and rejected participation in the World Bank and International Monetary Fund. In 1947, Stalin kept the USSR and Eastern Europe out of the Marshall Plan.⁵

For the next 40 years, communist policies kept the Soviet Union on a wartime-economy pace that dictated economic relations with the West. Stalin's heirs sought limited Western aid and trade (mainly importing grain) while pursuing traditional political priorities. Support to communist insurgencies and constant human rights violations resulted in numerous United States grain embargos and other sanctions. The Cold War brought on a total pursuit of the arms race that eventually led to a Soviet economic and political crisis providing a favorable environment for President Mikail Gorbachev's perestroika.

Five years' talk of perestroika produced little change in the dominant role of politics over economics, including prospects for Western aid. Ideological scruples prevented privatization of land and blocked a Lenin-like monetary reform to establish a convertible currency. In 1988, the Soviet government began printing paper money to avoid choosing between military demands, consumer goods and minimum social welfare standards. This action devalued the ruble, and increased inflation and foreign debt.

Until recently, political uncertainties impeded large credits from Western governments and the evolving

governmental structure has only recently begun to create economic conditions favoring foreign private investment; two-thirds of Western and local Soviet attempts at joint ventures have been frustrated by central economic bureaucracies. Additionally, in the summer and fall of 1990, Western grain imports piled up on the docks of Odessa while nearly half of the record domestic harvest failed to reach Soviet consumers. One reason, according to the liberal Soviet media, was the Army's commandeering of limited railway capacity to move thousands of tanks and armored vehicles beyond the Urals to evade an arms reduction treaty.⁶

While designers of future United States aid programs for the ex-Soviet Union can learn much from history, the current situation is not comparable to 1917, 1921 or 1941. War is not imminent and no one is starving. One clear lesson of the quick rise and fall of Lenin's New Economic Policy (free-market reforms) is that Western leaders must look beyond plans for economic reform to the power-political context in which they arise. Similarities exist between Western Europe in 1945-47 and the Soviet Union today with important differences. In 1947, Nazism and fascism were certifiably dead. However, the remnants of the communist power structures -- centralized institutions, the KGB and a huge military force -- are weakened and scattered but unbroken. These smoldering building blocks of power will

continue to impede Western aid until communism in the Soviet Union can also be certified as dead in both word and deed.

At the conclusion of World War II, Western European countries were able to maximize United States economic assistance by building upon a preexisting free-market economy. For the ex-Soviet Union of the 1990s, Stalin and his successors insured no foundation for a free-market system with an accompanying legal structure would be readily available to begin efficient use of forthcoming economic aid for economic reform.⁷

History may offer one more lesson for America's aid policy makers -- that provided by Germany in the 1920s. While a resurgence of communism in the former Soviet Union is a possibility, a greater threat to U.S. national interests -- furthering democracy and fostering world stability -- may exist. Fascism could easily emerge from within the troubled republics as they struggle to determine their national identities and economic self-interests. Deteriorating economic conditions and a loss of international prestige contributed to the rise of fascism in Germany. To a lesser degree, those same factors exist in many of the former Soviet republics today. Should conditions significantly worsen for the former republics, swift and massive Western aid may be all that stands between a fledgling pluralistic, free-market society and a threatening, fascist government.

PRINCIPAL ECONOMIC PROBLEMS FACING THE FORMER SOVIET UNION

Following the failed August 1991 coup in the Soviet Union, economic challenges abound. Chief among these are providing permanency to a confederation of the republics and developing a viable economic plan, ensuring the people survive the winter, converting to a free-market economy and reducing the huge ex-Soviet military machine. The central obstacle to success in solving these problems lies in Kennan's opening statement to this paper: No organizational structure outside the communist party exists to facilitate radical change towards a republic and free-market society. Solutions must be found because the degree of success will determine the amount of future Western aid to be provided.

After the collapse of the Soviet Communist Party structure in September 1991, President Mikhail Gorbachev attempted to create a less restrictive central government that would fill the power vacuum. His proposed government included a State Council, manned by himself and the heads of ten republics; a new Parliament appointed by the republics; and an Interrepublic Economic Committee. This transitional government was so complex that few understood the labyrinth of power. Further, this bureaucratic paralysis could not be cured until a new union treaty was signed that determined the political and economic relationship between the republics. At a minimum, it needed to bind the republics in an economic union with a common banking system and a mutual

defense alliance. "Russia cannot wait for long" warned Grigory Yavlinsky, a member of the temporary Economic Management Committee, "It is ready to start all these changes independently."⁸

An economic agreement hammered out on 2 October 1991 among 12 republics at Alma-Ata, capital of Kazakhstan, created the basis for an economic community with free trade and a common banking system. This pact, initially hailed as a major breakthrough, soon fell into disarray because the Ukrainian and Russian leaders believed the republics should first sort out the shape of their future political relations before deciding how to link their economies. Increasingly, the Russian leaders were saying that Russia should assume the role of rightful inheritor of the defunct Soviet central government. Such talk aroused fears of Russian hegemony among other republics, particularly in the Ukraine.⁹

President Gorbachev's central governmental concept ended with his formal resignation and closing out of the Soviet Union on 25 December 1991. To the end, Gorbachev believed that the best chance for a peaceful and orderly transition to democracy lay in a strong collective effort by the Soviet republics. In his farewell address, Gorbachev stated "I am concerned about the fact that the people in this country are ceasing to become citizens of a great power and the consequences may be very difficult for all of us to deal with."¹⁰ His greatest failing appears to have been

underestimating the distrust of the former republics for anything resembling a centralized Soviet or Russian government and minimizing the very strong rise in nationalism at the republic level.

The Commonwealth of Independent States (CIS), formed at a 21 December 1991 summit at Alma-Ata, has succeeded the defunct Soviet Union. Composed of eleven of the fifteen former Soviet republics, excluding Georgia and the Baltics, the CIS has agreed on two major coordinating bodies -- the Council of Heads of State and the Council of Heads of Government. With the exception of Russia, the other Commonwealth members are so hostile to recreating a strong central government that they refused to designate a capital and created only an administrative hub in Minsk. However, as President of Russia, Boris Yeltsin is first among equals since Russia is the legal successor to the Soviet Union and has quickly assumed control of most former Soviet government facilities and activities; to include the permanent seat in the United Nations Security Council and a majority of the ex-Soviet's nuclear arsenal.¹¹

The CIS leaders are now faced with the dual challenge of developing cooperative military, economic and political policies while dealing with respective nationalist movements in their home republics. Progress has been made on defining the future of military forces, particularly nuclear weapons, and on developing a basis for economic cooperation but many

details remain to be worked out. Mr. Yeltsin may have oversimplified the issue when interviewed by CNN stating that there had been no specific aid to the crumbling Soviet Union because willing nations probably found no clear address to send donations. With the forming of the CIS he said "now everything is clear, addresses are known, and I think that this humanitarian aid will step up now."¹² True, aid has begun to flow but the very loose confederation of the CIS dictates that future aid efforts will have to be carefully evaluated and provided on a republic-by-republic basis rather than by blanket support to the CIS as a unified and coordinated body.

According to Douglas Stanglin, writing in Moscow for U.S. News and World Report, the most immediate threat facing the new union is the prospect of major food shortages this winter caused by a poor harvest and by farmers hoarding grain in search of higher prices.¹³ In a follow-up article three weeks later, Stanglin explained that American and European officials believe the former Soviets' real problem is not a lack of food but their inability to distribute what they have.

Russian farmers were prohibited from selling grain to the Baltic states until central government orders had been filled, even though free-market buyers were offering \$160 per ton and the state orders paid \$10 per ton. For this reason, farmers hid thousands of tons of grain to barter in

the gray market at many times the price paid by state agencies. As a result, some Western countries have been reluctant to offer outright food aid, proffering technical assistance and distribution system advice instead.¹⁴

Changing economic policies continued to hamper food supplies as farmers held their crops in anticipation of still higher prices following Russian price decontrols on 2 January 1992. Regardless of spot shortages in certain cities, a recent article in The Economist states that whatever humanitarian help the ex-Soviet Union needs, food is not on top of the list. The most urgent need for aid is medicine, and feed grain is needed to avoid mass slaughter of livestock this year to prevent an even more severe food shortage next year.¹⁵

A Radio Moscow broadcast by Ukrainian Prime Minister Vitold Fokin on 12 August 1991 stated that grain harvests would be smaller than last years' but were sufficient to meet the population's requirement.¹⁶ The November 1991 World Agricultural Production Bulletin confirms that Soviet grain production will be approximately 25 percent lower than last years' crop yield.¹⁷ In summary, severe food shortages will not occur from a lack of production but could well occur because of hoarding at the farmer level and uneven distribution at the governmental level. Regardless, mass starvation and food riots do not appear imminent for the winter of 1991-92; however, shortages will continue to put

pressure on politicians to keep their citizens adequately fed.

Converting the former Soviet Union from a command economy to a free-market economy basically involves creating a stable, market-based monetary system; developing mechanisms for free trade; and instituting rapid privatization. Mr. Yeltsin's quest for monetary stabilization began in Russia on 2 January 1992. At least two other republics -- Ukraine and Belarus-- in the CIS also initiated price reforms in the new year. The plan includes ending almost all government price controls, allowing the ruble to seek its own market level against other foreign currencies (floating the ruble) and getting control of runaway government spending where the practice of simply printing more money has become a prevalent means of financing the government in the final months of Soviet rule and the emerging period of the CIS.¹⁸

Harvard economist Jeffrey Sachs serves as an economic adviser to Mr. Yeltsin. As a recognized world expert on countries moving from controlled to free economies, Mr. Sachs strongly backs Mr. Yeltsin's radical program of market reform. Mr. Sachs believes that Gorbachev's gradualist approach of introducing limited reforms into a centralized system was doomed to failure; he frequently cites the old Russian maxim that "you cannot cross a chasm in two jumps."¹⁹

Russian price reforms, at least initially, appear to be working. While prices shot up immediately, some have already begun to go down, matching demand with supply -- just as they should in a free-market economy. An example is meat prices that rose ten times the state subsidized amount. When stores were unable to sell at these high prices, they returned the products to their suppliers who reintroduced them at prices 30-50 percent lower. If Russian authorities control wages and enforce strict government spending to prevent hyperinflation, price controls can work. Continued patience by Russian citizens and political opposition leaders will demonstrate to Western countries that providing economic aid will not be "pouring money into a bottomless pit."²⁰

The change to a free-market economy is made more difficult because for decades Soviet industry gave its best and brightest talent to the military and ignored potential improvements in daily life and consumer goods. As a result, the nation developed First World science and Third World living standards. Toward the end of the Gorbachev era, the former Soviet military-industrial complex began turning its attention to the consumer. At the end of 1991, heavy industry was devoting 45 percent of production to the military, down from 65 percent in 1985, with a target figure of 20 percent by 1995.²¹

Joint ventures with foreign business are encouraged, however, former Soviet industrial production fell by 30 percent in the last year and inflation was over 100 percent. Foreign investors are predictably hesitant but the former Soviet Union is a potential new market with vast natural resources and cheap labor. Businesses in the former Soviet Union desperately need foreign investor-partners for new technologies, capital-investment and managerial skills, and access to Western markets.²²

Many United States Fortune 500 companies are signing deals with Russian partners that have a frontier quality. Recent government upheavals have actually stimulated joint ventures rather than stifled them. Graham Allison, a Harvard Soviet expert, describes a now-frequent occurrence called "spontaneous privatization": A manager of a state enterprise with 10,000 employees suddenly has no one to report to because the ministry above him has disappeared. Further, he gets no orders and no supplies. To look out for himself and his employees he finds a foreigner to buy half the operation in a joint venture.²³

Of the 2000 American joint venture deals to date, only 50 are functioning so far, with a total investment of \$300 million. With the former Soviet land's oil, cotton, timber, metals and minerals, the potential for huge joint ventures remains strong; a lot will depend on the success of current pioneering companies.²⁴ Given the huge potential payoffs in

hard currency, free-market enterprise and foreign trade, the best hope for the CIS economy may well lie with increased foreign business investment rather than Western aid.

Reducing the former Soviet military forces, and controlling, reducing or eliminating their nuclear weapons must be achieved to help secure Western aid and stop the huge drain on domestic resources. During six years in power, President Gorbachev never gained control over the Army or the vast Soviet military industrial complex. Military spending depleted the Soviet economy by claiming a quarter or more of the gross national product. New weapons continued to pour off production lines while treaties limiting forces were negotiated and signed. Mr. Yeltsin, unlike his predecessor, understands that the economy must be freed for civilian purposes and that the military must be reduced.²⁵

According to Viktor Minin, the former head of the Soviet Parliament's commission on national security, the problem now is that the military has "turned into some kind of 16th republic -- hungry, badly organized, badly armed and supplied." Minin further stated "this group of 3.7 million soldiers could form the backbone for a popular backlash and that 150,000 recently discharged officers and soldiers, highly organized and politicized, might lead a social explosion that could sweep away democracy and the free market."²⁶

On 17 January 1992, 5000 military officers gathered in Moscow to demand that the Soviet armed forces remain intact and that soldiers not be abandoned. The common theme of this meeting was twofold: The military forces should remain under central control to prevent civil wars between the republics; and that CIS leaders should work out an agreement guaranteeing the social, economic, and personal status of servicemen in all republics. Ironically, the huge size of the military in relation to the shattered economy and future military roles was not debated by the assembled military officers.²⁷

The fears of those military officers was realized on 14 February 1992, when Ukraine, Azerbaijan and Moldova refused to join a post-Soviet military alliance. This action increased the odds of a military confrontation at the republic level and will increase the costs for military forces when compared to a shared military force. Ukrainian President Leonid Kravchuk disagreed with Mr. Yeltsin on a proposed CIS unified military bloc by stating "it will spell the end of democracy because the army would stand above all states."²⁸

These recent events increase tensions among CIS republics and guarantee that the disposition of the former Soviet army will remain an unresolved issue. Restrained military leadership and an orderly reduction in military forces will be required to garner continued Western aid; any

hint that economic support is flowing into the military-industrial complex and not democratic-style institutions will ensure a quick stop to further aid.

SOVIET AND CIS AID REQUESTS AND THE WESTERN RESPONSE

Foreign aid requests by the Soviet Union reflected the overall state of uncertainty: The numbers changed depending on what official was asking and when the request was being made. Figures ranged from \$7 billion on 12 September 1991,²⁹ to \$14.7 billion on 19 September 1991,³⁰ to \$10.2 billion on 8 October 1991.³¹ Soviet officials stated the increase in aid requests resulted from at least two factors. First was a projected 50 percent reduction in oil exports -- greatly reducing hard currency available to purchase grain. Second was confusion because the initial, smaller request was directed at only the European Community, while the subsequent larger request was being sought globally. Approximately one-third of their request was for food aid while the remainder was for long-term credit guarantees. A \$5 billion debt service on \$60 billion in past foreign loans also had to be met if the Soviets were to obtain future bank credits.³²

Since the formation of the CIS, aid requests have been larger, more urgent and more specific. The best estimates come from Jeffrey Sachs, who believes a comprehensive aid package would total approximately \$30 billion for 1992 with

similar amounts for each of the next three or four years. Sachs believes Russia would need approximately \$17 billion with the remainder allocated to the other republics. Russia will need \$6.0 billion in food and medical aid; \$5.0 billion to help stabilize the ruble and make it a convertible currency; and \$6 billion for balance-of-payments support to reverse a sharp decline in non-food imports and to provide supplies to keep its factories working. According to Sachs the goal for 1992 based on his Eastern European experience is to end hyperinflation and severe shortages; encourage the development of hundreds of new small, private businesses; and encourage rapid export growth based on a convertible currency.³³ Other aid estimates by lobbyists and economists vary in the proportions required but all total to approximately the same amount.

Until recently the lead organization for providing and coordinating Soviet aid was the European Community (EC). The EC's strong self-interest has been to ward off massive hunger, social unrest and potential refugee problems in the Soviet Union. The EC originally suggested a \$7 billion worldwide aid program that fell short of the \$10.2 billion Gorbachev requested. However, the EC, Japan, and the United States believed Mr. Gorbachev's request was inflated and no detailed accounting of his figures was ever submitted.³⁴

On 22 January 1992 the United States assumed a more active leadership role in providing economic support by

hosting a 47-nation conference on coordinating aid efforts for the republics of the former Soviet Union. Efforts were made to expand and accelerate humanitarian aid and long-term economic support. The participants agreed to form five action committees associated with providing medicine, food, shelter, energy and technical assistance to the CIS. The attendees also agreed to a follow-on meeting in Lisbon at the beginning of May 1992. While the general mood of the conference was positive, some European countries felt that, if the U.S. was going to take credit for a more active leadership role, then the U.S. should lead in giving.³⁵

Over \$80 billion in assistance has been pledged to the former Soviet Union since September 1990.³⁶ However, over \$48 billion is German assistance linked directly to German reunification and the withdrawal of troops from eastern Germany. Other countries providing significant aid to the republics in the form of export credits, balance-of-payment support, and food and medicines are the United States at \$5.75 billion; the EC, excluding Germany, at \$30 billion; Japan at \$2.7 billion; Saudi Arabia at \$1.5 billion; and Finland at \$1.0 billion.³⁷

At the January 1992 coordinating conference, the United States' Secretary of State, Mr. James Baker, attempted to coerce Japan into providing more CIS aid. However, Japan's Foreign Minister, Michio Watanabe, made it clear that a huge increase in aid would only be linked to discussions on

returning the Russian held Kurile Islands to Japan.³⁸ The strong Japanese stand on economic assistance caused Russian President Boris Yeltsin to begin the bargaining process of exchanging land for aid. On 2 March 1992, President Yeltsin and former Japanese Prime Minister Yasuhiro Nakasone discussed the return of the two most southern Kurile Islands -- the legal basis for returning these territories is contained in a Soviet-Japanese Joint Statement of 1956.³⁹ The stated purpose of these diplomatic discussions is normalized relations between the two countries; the mechanism is the conclusion of an unresolved World War II peace treaty. The predominant reasons for seeking normalized relations remains trade, aid and land.

While all donors agree that more coordination of effort can be done, few agree that more aid to the CIS is needed now. "Frankly it's enough for the moment," says a British official -- a view shared by the Germans, French and Japanese.⁴⁰ Regardless, the total aid pledged to the former Soviet republics adequately addresses their immediate monetary concerns; applying the money for its maximum benefit is the greatest challenge.

U.S. POLICY ON AID TO THE REPUBLICS

Before the emergence of Mr. Yeltsin and the CIS, President Bush, National Security Adviser Brent Scowcroft, and Secretary of State Baker were united on U.S. aid to the

Soviets. Bush insisted that large-scale aid for the Soviets be withheld until he saw significant economic reforms, including steps aimed at the creation of a free market. Most Americans shared this go-slow policy. In responding to an early September 1991 TIME/CNN survey, 68 percent of Americans agreed Western allies should not provide quick, large-scale financial aid to the Soviet Union.⁴¹

Scowcroft hardened Bush's resolve to limit aid this winter to food and essential supplies. Scowcroft's main goal was to prevent Soviet society from deteriorating so completely that right-wing nationalists seized power and took control of the old regime's nuclear weapons. He wanted to link large-scale American aid to radical economic reforms and further unilateral reductions in Soviet strategic nuclear forces. U.S. officials concluded that humanitarian aid this winter would reduce the threat of instability and bolster Gorbachev. Plans were also prepared to fly aid to Soviet distribution points using U.S. forces airlift assets.⁴²

Les Aspin, Chairman of the House Armed Services Committee, also endorsed pressing U.S. troops into service delivering food, medicine and other lifesaving supplies to the Soviets this winter. Aspin added that everyone agreed the Soviet internal distribution system was broken and only the military -- with its cargo ships, transport planes,

trucks, communications systems and personnel -- was equipped to carry out massive relief operations.⁴³

Secretary Baker, during a September 1991 visit to Moscow, underscored that no significant economic help was feasible if the republics did not work out a coherent economic arrangement with a central decision-making body that could enforce business contracts and laws. The overall strategy was a wait-and-see approach of only providing enough emergency humanitarian aid to keep Gorbachev and his government from collapsing into something worse.⁴⁴

A more aggressive U.S. economic assistance posture was signaled by Mr. Baker in a speech delivered at Princeton University on 12 December 1991. Mr. Baker stated that the U.S. would work closely with those republics which committed to responsible security policies, democratic reforms, and free-market economics. He correctly anticipated that Mr. Yeltsin and other CIS leaders would institute those reforms necessary to qualify for U.S. economic assistance.

In his speech, Mr. Baker recognized that the issue of economic assistance to the CIS would require the full effort of an international coalition. He announced the concept of the coordinating conference held the following month in Washington, D.C. His theme -- and the basis for U.S. policy today -- centered on three concepts: destroying and controlling former Soviet nuclear weapons; assisting the CIS in understanding and instituting democratic processes; and

helping economic stabilization and recovery by assisting free-market forces in the former Soviet Union.⁴⁵

Additionally, the U.S. visibly increased its humanitarian assistance with Operation Provide Hope, begun 10 February 1992. For two weeks, U.S. military C-141 and C-5A cargo planes airlifted \$60 million-worth of food, medicine and medical supplies in 54 sorties from Germany and Turkey to 23 sites in the CIS. Most officials agree these relief efforts will do little to solve the problem, but will help carry a message of hope and support from the U.S. to the people of the emerging republics. Even though Mr. Baker was present at the start of Operation Provide Hope and newspapers reported on the operation with much fanfare, the American contribution of 2000 tons of food and medicine has been matched by the EC in airlifts every five days.⁴⁶

The United States' most significant (and helpful) policy reversal came on 3 January 1992, when the Bush administration supported Russia and five other republics (Ukraine, Kazakhstan, Belarus, Kyrgyzstan and Armenia) in gaining full membership to the International Monetary Fund (IMF) and the World Bank. Membership in the IMF and the World Bank will allow the republics access to billions of dollars in development and monetary stabilization funds to help make the transition from a centralized to a free-market economy. Additionally, the IMF and World Bank can provide the coordination of effort and large-scale economic planning

that both the republics and Western countries are seeking. Fast-tracking the republics' applications and strong U.S. endorsement could bring admittance in six months. American support to other CIS republics depends on establishment of full diplomatic relations and assurances of political and economic development, including the protection of human rights.⁴⁷

The U.S. policy on aid to the former Soviet republics is best summarized by President Bush in his opening remarks to the 47-nation coordinating conference on 22 January 1992:

"Let us bring equal commitment to the challenge of helping to build and sustain democracy and economic freedom in the former U.S.S.R. just as we did to winning the Cold War. Let us help the people throughout the independent states to make the leap from communism to democracy, from command economies to free markets, from authoritarianism to liberty. The U.S. cannot and will not falter at the moment that these new states are struggling to embrace the very ideals that America was founded to foster and preserve."⁴⁸

Unfortunately, the Bush administration must perform a balancing act between leadership and politics. On one level, President Bush is seeking a stronger leadership role in the Western aid effort which means increasing American financial aid. On the other level, this is an election year and the American economy demands a strong domestic economic policy as well; asking for too much revenue to assist the former Soviet Union will not be well received by Congress or the public.⁴⁹

President Bush understands the absolute need for supporting the former republics of the Soviet Union. However, an ominous trend may lie in the Reserve Officers Association (ROA) National Security Report of February 1992. The ROA asked the Presidential candidates to submit essays on defense; President Bush and the five leading democratic candidates responded. Surprisingly, President Bush was the only candidate to address the transformation occurring in the former Soviet Union and the only candidate to endorse a strong U.S. aid policy.⁵⁰ One can only hope that the democratic candidates support a similar policy but failed to include the topic, viewing it as a foreign policy issue and not a national security issue.

CONCLUSION

The United States stands at a crossroad: Either view aid to the former Soviet Union in isolation without regard to how the republics arrived at their present condition, or view aid to the former Soviets as a logical extension of the Cold War -- substituting economic tactics for military tactics. Clearly, with the trillions of dollars invested in defeating communism, America must support the ex-Soviet effort to make permanent and irreversible changes towards devolution and a free-market economy. To do less means the Cold War ended, but without a victory. America now has a

unique opportunity to export democracy to the republics of the former Soviet Union.

The United States, currently in an economic recession, must continue to yield the lead for monetary relief to the European Community and the Japanese. The American contribution must be its strengths in leadership, organization, and exporting entrepreneurship. Providing aid and assistance is one piece of the puzzle; the other is directing it properly and ensuring it arrives at the intended target. Working together, the U.S. and other donor nations can maximize the economic assistance effort to the former Soviets.

A time of crisis exists for the republics from now until acceptance into the IMF and World Bank. Should other Western relief efforts fall short, America must act unilaterally to ensure the CIS -- or whatever organization the CIS evolves into -- survives the winter, and fledgling democratic and free-market reforms grow to permanency.

Two CIS aid options are available that will greatly assist the Soviet transition without large expenditures of U.S. capital: One is to encourage private investment in the former Soviet economy. The other is to adopt Representative Aspin's proposal to use U.S. forces if severe food shortages demand a dramatic effort to shore-up free-market initiatives in the republics. Private enterprise will only enter the ex-Soviet business arena if a profit can be made and the new

government remains stable. Tax incentives and U.S. "joint private enterprise-government" cooperation will encourage private business growth in the republics. Use of U.S. forces in aid distribution can enhance those opportunities by providing short-term stability.

The U.S. military has the expertise to conduct a widespread Soviet relief operation. Recent experience gained in Operation Provide Hope, Operation Provide Comfort, Bangladesh and Mount Pinatubo combined with historical lessons learned from the American Relief Administration in the 1920s provide a sound footing for success. Troops are available as well; an entire U.S. Army Corps is available in Western Europe with no real mission other than contingency operations. A military strategy for ex-Soviet relief operations fits into the Bush administration's goal of ensuring the former Soviets survive until democratic reforms take hold and satisfies United States national interests involving world stability.

This military relief effort passes the tests for a workable strategy: It would be suitable, feasible and acceptable. The objectives, concepts and resources are defined and available. The execute order from the United States national command authority awaits a hard Russian winter, a failed food distribution system and political instability. This military mission would graphically demonstrate America's commitment to a new world order

through use of an innovative defense strategy -- peacetime engagement.

Rapid changes in the former Soviet Union present unique challenges to U.S. foreign policy makers. Events change faster than the American consensus building process can respond. Russia and its neighbor republics are in a state of relatively peaceful transition that can end in one of two outcomes. The first is to regress to some form of autocratic government whose existence would undoubtedly run counter to U.S. interests. The second and most preferred result is a peaceful transition to a liberal form of government that incorporates the ideals of a democratic society and a free-market oriented economy.

At this juncture the ending is impossible to predict. The violent history of the Russian people would seem to nudge the outcome towards an autocratic society; yet the economic progress of Poland, Hungary and Czechoslovakia suggests that democratization and free-market systems can take hold in former communist states. Regardless, the United States and other Western countries must use economic and humanitarian aid as their principal weapon to strengthen democratization in the former Soviet Union and to deter any inclination towards an autocratic society.

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